

London Examinations

GCE Ordinary Level

Mark Scheme and Examiners' Report
for Commerce 7100

May/June 2000

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Mark Scheme and Chief Examiner's Report
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COMMERCE 7100

Mark Scheme

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Grade Boundaries

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COMMERCE 7100, MARK SCHEME

Question 1

- (a) Orders/invoices
Orders: prepared by customer/purchaser, request to obtain (buy) goods/services, sent to supplier, contains details of goods required.
Invoices: prepared by seller/supplier, indicates goods supplied, prices charged, record of indebtedness, sent to purchaser/customer, cash/trade discount shown.
- 1 mark for each of 4 points for each document (4 x 2) 8**
- (b) Importance of documents generally
Need to keep a written record – transactions not forgotten.
Possible disagreement over goods supplied and prices agreed.
Needed as legal evidence (proof) in case of dispute/errors.
Needed for tax purposes – expenses/income.
Vast number of transactions every day – need to trace.
To avoid mistakes.
Can calculate profit/Accounting use e.g. comparisons with earlier years.
- 1 mark per point plus 1 mark for development 6**
- (c) Impact of computers on documents
Now processed on computer screen – printed, not typed.
Can be easily amended/checked before sending.
Document stored in computer memory, not in filing cabinet.
Easily retrieved from computer memory by code/title input.
Repetitive input avoided-record used as basis for further orders/invoices.
Allows use of automatic mailing lists.
Saving space in terms of filing.
Processed electronically.
- 1 mark per point plus 1 mark for development of each 6**

Total: 20 marks

Question 2

- (a) Sole proprietor features
Single owner – no partners/shareholders.
One person provides all basic finance – out of own savings.
One person controls the business (takes decisions) – no back-up.
One person receives all the profits.
One person takes all risk of loss – no limited liability.
Owner risks loss of personal possessions.
Easy to start up.
1 mark per point plus 1 mark for development of each **8**
- (b) Financial risks
May attract too few customers/low income.
Large expenditure on premises/fittings not recouped.
May not be able to pay creditors/tax.
No limited liability for debts.
Personal possessions can be taken to pay business debts.
Bankruptcy/closure.
Limited capital, hard to expand.
1 mark per point plus 1 mark for development of each **4**
- (c) Franchise – reduced risk
Receives setting up support and advice from franchiser.
Receives on-going operational support from franchiser.
Uses an established name – recognised by public/attracts more people.
Franchiser advertises widely on behalf of franchisees.
Customer standards are set and maintained.
Franchiser may help with loans/leases for equipment.
Licence to sell on behalf of...
Training for proprietor/staff.
Benefits from new developments.
Owner does not have to take all decisions.
Increase in profits and/or sales.
1 mark per point plus 1 mark for development of each **8**

Total: 20 marks

Question 3

- (a) Insurance brokers
Have contracts with different insurance companies/Lloyd's.
Can obtain quotations in order to find the best deal.
Can go to different companies for different parts of cover, e.g. fire, liability, and provide a package.
Can save time and effort in obtaining cover.
Specialist in the field – can negotiate effectively.
Handle claims on behalf and obtain best settlement.
Insurer more likely to agree with firm in industry.
Agents for the customer.
Provides proposal forms/collects premiums.
1 mark per point plus 1 mark for development of each **8**
- (b) (i) Actuaries
Ensure that premiums are correctly calculated on past statistics.
If premiums too low, they will not cover claims made.
If premiums too high, they will lose business to other companies.
Either way, profits will fall and they will go out of business.
1 mark per point plus 1 mark for development of each **4**
- (ii) Assessors
Ensure that claims made are reasonable, based on losses.
Ensure that claims made are not fraudulent.
If claims too high, premiums will not cover losses.
If claims not properly paid, customers will not renew.
Either way, profits will fall and they will go out of business.
1 mark per point plus 1 mark for development of each **4**
- (c) General purpose of business insurance
Businesses can cover many risks which may cause loss.
If losses occur, compensation paid and business not affected.
Losses from insurable risks could cause business to collapse if cover not taken.
1 mark per point plus 1 mark for development of each **4**

Total: 20 marks

Question 4

(a) (i)Credit card

Card issued by banks/card companies to creditworthy persons.
Can be used to buy goods/services from many sellers/outlets/shops.
Card holder pays later, i.e. receives credit through card borrowing.
Card company pays seller when sum claimed – less %.
Card holder pays on statement in full or in instalments.
Interest charged if debt not paid off in full each month.
Cards issued to people without bank accounts.
Use of credit card imprint and other electronic machines.
Credit limit given to each cardholder.
Can be used in an Automatic Telling Machine (ATM).
Permanent form of credit.

1 mark per point plus 1 mark for development of each **6**

(ii)Hire purchase terms

Goods received, usually on payment of a deposit.
Debt paid in instalments usually monthly.
Debt period usually between one/three years.
Interest paid on outstanding debt over full period.
Goods not owned/only hired until payment finished.
Cancellation arrangements and repossession.

1 mark per point plus 1 mark for development of each **6**

(b) Credit card/higher income

Full payment required within 45 days (7 weeks) max.
If interest not to be paid – high rate often charged.
Best paid off, without interest, from regular income.
Person on lower income could not afford to pay off at once.
Person on a higher income has ability to pay monthly.
Free credit facility – saves interest.

1 mark per point plus 1 mark for development of each **4**

(c) Hire purchase/lower income

Instalments spread out over 2/3 years.
Monthly out-goings known and monthly date.
Interest rate may be lower than credit card.
Small monthly payments affordable out of income.
Don't have to ask for loan from bank.

1 mark per point plus 1 mark for development of each **4**

Total: 20 marks

Question 5

(a) (i)Market research

Investigation to see whether there is demand for a product.
To see what type of product would sell best.
To determine whether product could be priced to cover costs.
"Homework" on the market.
Search to see what market is like – most popular product.
Check the competition.

1 mark per point plus 1 mark for development of each

3

(ii)Why market research?

Might produce a good which does not sell adequately.
Price to charge to cover costs may be too high.
Need to ensure that right design, etc. is used.
If product does not sell, company could lose money.
Need to identify geographical variations in markets.
To ensure profits and avoid bankruptcy.

1 mark per point plus 1 mark for development of each

4

Allow overlapping in (i) and (ii).

(b) Market research methods (2)

Desk research – using published information.
Public surveys – personal/post questionnaires.
Pilot promotions – small quantity produced/sold.
Test group used – controlled environment.
Use of specialist market research company.
Primary/secondary research.

1 mark per point plus 1 mark for development of each (2 x 2)

4

(c) Sales promotion methods

Advertising – on T.V.
Advertising in children's magazines – example.
Distribution of leaflets – via postal service.
Special displays in main stores.
Use of competitions to provide 'free' samples.
Free gifts/prizes/tokens/special discounts/bargain offers/packaging.
Trade exhibitions.

1 mark per point plus 1 mark for development of each

6

(d) Selling price

$$£6.00 \times \frac{100}{80} = \underline{\underline{£7.50}}$$

3 marks for correct answer, up to 2 marks for correct method.

3

Total: 20 marks

Question 6

- (a) (i)Ownership and control
Co-ops owned by members (customers/workers) – companies by shareholders.
Co-ops controlled by board elected by owners – 1 vote each – companies controlled by board elected by shareholders – 1 vote per share.
No controlling interest possible in co-ops – 50%+ ownership in companies gives control.
1 mark per point plus 1 mark for development of each **4**
- (ii)Sources of finance
Co-op customers buy one or more £1 shares in co-op – shareholders buy large numbers of shares in companies.
Co-ops have only individual shareholders – companies have institutional shareholders.
Co-ops take customer deposits – companies issue debentures.
1 mark per point plus 1 mark for development of each **4**
- (iii)Profit distribution
Co-ops give dividends to customers based on value of purchases – companies give % dividends to shareholders on shares held.
Co-ops pay interest on shares and on deposits – companies pay interest on debentures.
1 mark per point plus 1 mark for development of each **4**
- (b) Reasons for merger/closure
Many societies small and non-competitive.
Not able to attain best buying terms from suppliers.
Cannot compete on price with superstores – low margins/profit.
Cannot benefit from other scale economies + example.
Need to merge into larger societies to obtain large-scale benefits.
Many taken over by larger societies or by CRS.
Lack of finance to modernise shops + example.
Merge because of threat of bankruptcy.
Merge to obtain benefits of bulk buying.
Advantages of larger stores.
1 mark per point plus 1 mark for development of each **8**

Total: 20 marks

Question 7

- (a) Needs and wants
Needs – what people must have to survive, e.g. food, shelter.
Wants – what people would like to have (but not essential), e.g. cars, carpets.
1 mark for correct explanation of each term, plus 1 mark for one example of each **4**
- (b) Branches of production (4)
Primary (or extractive), secondary (or manufacturing), commercial (or tertiary), direct.
Examples: mining (or farming, fishing), manufacturing (or construction), retailing (or other trade/ancillary services), doctor (or teacher, lawyer).
Specific types of jobs allowed as examples.
Service industries and appropriate example allowed.
1 mark for each of four correct branches plus 1 mark for one example of each branch **8**
- (c) Work/producer – leisure/consumer
Work generates new goods and services – production.
Makes goods/creates goods/provides services.
People are willing to pay for these – have value/utility.
Consumers use the goods/services produced for satisfaction.
Value is reduced by consumption.
Examples which illustrate the meaning.
1 mark per point plus 1 mark for development of each **4**
- (d) All consumers not also producers
Not everyone works, e.g. children, pensioners.
Everyone has to consume in order to live, including those not producing.
1 mark per point plus 1 mark for development of each **4**

Total: 20 marks

Question 8

- (a) Meaning of intermediary (international trade)
A person/business operating between two other businesses (middlemen).
Can buy goods from one business and sell to another.
Can act simply as an agent between the two.
Agent works on behalf of...
Takes orders on behalf of...
Sells on behalf of...
Examples: brokers, factors, import agents, export agents, export wholesale merchants, confirming houses, shipping brokers, forwarding agents, export houses (2).
1 mark per point plus 1 mark for development of each **4**
- (b) Intermediary – foreign trade need
More problems in foreign trade – more help/expertise needed.
Greater distances – communications more difficult.
Different legal systems – local knowledge needed.
Payment in different currencies – exchange problems.
Language differences – translation required.
Transfer needed between different transport modes.
Can interpret local markets – usually a ‘national’.
Weights and measures – no standard units.
Different technical specifications – electrical etc.
1 mark per point plus 1 mark for development of each **6**
- (c) Ancillary services help (international trade)
Banking provides means of payment/exchange transactions.
Transport services allow safe/rapid movement of goods – by air/sea.
Communications enable long-distance contact to be made.
Insurance minimises the risk of transferring goods (inc. ECGD).
Warehousing allows goods to be stored pending movement.
Advertising and marketing gives access to markets (trade fairs).
One mark for service, second mark only for international service.
1 mark per point plus 1 mark for development of each **10**

Total: 20 marks

Question 9

- (a) (i) Bank deposit account
Money held by a bank in an individual account.
Interest paid monthly/yearly as % of amount.
Withdrawal can be partial or full – notice/instant.
No payment facilities, e.g. cheque book.
Saving-account.
Loan to a bank.
1 mark per point plus 1 mark for development of each **4**
- (ii) Company shares
Money paid to company for part ownership – become a shareholder.
Share certificate issued indicating number of shares held.
Dividends paid according to company profit/distribution.
Share value may rise or fall – performance of company/market.
Money withdrawn by sale of shares on stock exchange.
Voting rights.
Permanent finance for company.
1 mark per point plus 1 mark for development of each **4**
- (b) Deposit – lower risk than shares
Money repaid in full on withdrawal.
Bank very unlikely to become insolvent/unable to repay.
Interest will always be paid.
Share value may fall – capital loss on sale.
No dividends if profits low or losses.
Company could become insolvent if business poor.
(Allow other way round).
1 mark per point plus 1 mark for development of each **6**
- (c) Share investment suitability
Person may be looking for long-term investment.
Over years, share prices in general rise (over inflation).
Person may not require money to provide income.
Willing to take some risk for possible greater reward.
May be able to avoid tax payment.
Companies can make good profits, paying high dividends etc.
(Allow speculation).
1 mark per point plus 1 mark for development of each **6**

Total: 20 marks

COMMERCE 7100, CHIEF EXAMINER'S REPORT

General comments

The candidate entry increased by around 12% on that of the May/June 1999 examination. There was a notable improvement in the overall performance of the candidates. The examination paper was considered to be slightly more accessible when compared with that of May/June 1999, but having taken this into account, the pass rate at all grade boundaries from D upwards still improved by around 2% - 3%. This was a good result and provides a sound platform for further improvements in future years.

The examination caters for a very wide range of abilities. Each question gave the opportunity for weak candidates to show their knowledge and understanding, while offering the stronger candidates the chance to use their analytical and evaluative skills to achieve high marks.

Lower achieving candidates showed their weaknesses in two broad ways. Firstly, there was an inability to achieve marks in at least one part of each question chosen, and secondly, they had difficulty in finding a fifth, and sometimes a fourth, question which they could make a reasonable attempt at answering.

The better candidates were able to choose five questions, which they could answer well, having studied the breadth of the syllabus sufficiently. Generally, they were also able to score more than half marks on any one part of each question chosen, thus showing the depth of understanding needed.

The English language performance of candidates was very commendable, showing a clear improvement on previous examinations. For the vast majority of candidates the language was not a barrier to achieving marks, and there were many scripts with a very high standard of spelling, structure and vocabulary.

The following were general weaknesses across many centres:

- Candidates often ignored the introductory context used in several of the questions. Question 5, for example, referred to a company carrying out market research regarding a possible *new* toy, not an existing one and not a different product. By ignoring these contexts, candidates were prone to include irrelevant points and waste marks. Examples are given in the comments on individual questions.
- Related to the point above, candidates often knew the correct details of a topic, but had difficulty in applying these details to the specific situations given in a question. The opportunity to score marks was therefore significantly limited, as was the grade achievable. This problem is often a reflection of a rote-learned approach to the subject.
- Many candidates performed poorly where general responses were required. For example, 'why are all business documents essential to the efficient operation of trade?' proved problematic. While candidates often knew the detail, for example, about specific types of documents, they did not have the overview needed to answer this type of question. There needs to be more attention to the *general nature and purpose* of particular commercial activities.

- The request for *differences*, for example, between co-operatives and companies, was often ignored, and candidates added points of similarity, for which no marks could be awarded because of the irrelevance to the question asked.
- Candidates, in particular those with a greater knowledge of the subject, tended to ignore the specific requirements of a question part, as reflected in the number of marks allocated and identified on the examination paper. Answers were often too long, for example, a whole page for a four-mark question part. This approach can be counter-productive in terms of time left for completing other questions. On the whole candidates need to be much more focused in their answers.
- Many candidates failed to follow the rubric instructions on the front cover of the question paper. While answering more questions than the required five was uncommon, many candidates did not insert their candidate and/or centre number, and the start of answers to particular question parts was not always clearly shown. The use of erasing fluid and *Tipp-Ex* was also more common, and candidates should be reminded that although its use is not prohibited, it is not advised. Candidates should cross out sentences/words that they wish the examiner to ignore, including any preparatory work.

In addition to these general weaknesses, the following specific topics tended to produce weak answers:

1. The nature of franchise operations (Q.2c).
2. The role of brokers in insurance businesses (Q.3a).
3. The relative merits of credit cards and hire purchase in consumer transactions (Q.4b/c).
4. The calculation of profit margins (Q.5d).
5. The nature of co-operative societies and trends in their retailing operations (Q.6).
6. The difference between production and consumption, and the activity of people as producers and/or consumers (Q.7c/d).
7. The nature and importance of intermediaries, especially in international trade (Q.8a).
8. The comparative risks and rewards of different types of investment (Q.9b/c).

Candidates performed well on the following topics:

1. The differences between orders and invoices (Q.1a).
2. The nature of the sole proprietor type of business organisation (Q.2a).
3. An understanding of hire purchase, including the legal aspects (Q.4a).
4. The nature and purpose of market research (Q.5a).
5. The nature of public companies as a type of business organisation (Q.6a).
6. The difference between consumer needs and wants (Q.7a).
7. The branches of production (Q.7b).
8. The nature of bank deposit accounts and company shares (Q.9a).

Comments on individual questions

Question 1

A number of candidates ignored the context (businesses) of this question. Many candidates wrote about consumer transactions with shops and other suppliers, which resulted in irrelevant comments.

Part (a) was generally well answered, with many candidates scoring the full eight marks. However, weaker candidates tended to repeat the word 'order' without explaining its meaning and/or to give similarities which were not required, for example, catalogue numbers which would normally appear on both orders and invoices.

Part (b) did not score so well. Many candidates had difficulty in explaining the *general* importance of business documents, as opposed to the importance of *specific* documents which was not required in this part of the question. The more able candidates often referred to the importance of 'written' records in order to avoid mistakes, and to trace transactions in case of disputes between buyers and sellers. Other correct points included the use of documents as evidence, and their importance for accounting and tax calculations.

In part (c) there was a general awareness of the relevance of computers to documentation, but many candidates were vague about their use and/or failed to focus on the 'preparing' and 'filing' of documents as required by the question. Comments about computers being 'easier' or 'quicker' were not awarded marks, and the 'elimination of errors' was considered as wishful thinking! References to the use of computers for calculations and accounting were not considered to be specific enough to the actual question.

Question 2

While this proved to be a popular question, candidates frequently ignored the context of the question, i.e. a sole proprietor setting up a small *restaurant*, and wrote about the operations of a small retail business. Some points made were therefore irrelevant and scored no marks.

Candidates tended to score good marks in part (a) by identifying points such as single ownership and control, the receipt of all profits and responsibility for all losses. However, candidates did not score marks for quick decisions, personal service and sickness/holiday problems.

In part (b), the vast majority of candidates referred to unlimited liability and correctly explained it. Capital limitations in terms of expression were also frequently mentioned. References to death, illnesses and continuity were not considered to be 'financial' risks as such, unless the financial implications were explained.

A significant proportion of candidates could not answer part (c), these candidates did not appear to understand the term 'franchise'. Where there was a general awareness of the term, candidates often had difficulty in applying their knowledge to the question, i.e. being able to explain how a franchise operation helps to reduce risk. Key points

were the use of an established name, widespread advertising, the maintenance of standards and on-going support.

Question 3

In part (a), many candidates were unclear about the role of insurance brokers as independent intermediaries, and often regarded them as agents employed by insurance companies or as the actual providers of the insurance cover. A number of candidates side-tracked into irrelevancies such as the principles of insurance and/or specific forms of insurance cover.

Many candidates answered the question in the context of Lloyd's of London, rather than brokers in general, but marks were still awarded for points of general relevance to the role of brokers, for example, obtaining the best deals and handling claims on behalf of the insured.

In part (b) answers concerning actuaries and assessors ranged from the non-existent to the excellent, with both extremes being well-represented and often 'centre-based'. Even where some knowledge existed, candidates sometimes defined the terms the wrong way round, while others were unable to explain clearly why actuaries and assessors are important to the success of insurance companies.

In part (c) candidates struggled to explain the *general* importance of insurance and often lapsed into details about particular types of insurance cover, which was irrelevant to the question. Four marks would have been earned by simple reference to risk, possible loss, compensation and the avoidance of possible business collapse/bankruptcy. The pooling of risks and indemnity were also relevant concepts.

Question 4

Again, this question was in a context, i.e. the purchase of a £500 television set, but while many candidates got side-tracked into the purchase of cars (generally a much more expensive commodity), most points made were still relevant and were therefore allowed.

In part (a), some candidates were unable to focus on the key points about the use of credit cards or, more seriously, confused them with cheque cards or debit cards. All that was required for the full six marks was a straightforward description of the use of a credit card from the point of presentation to the retailer to the payment (full or partial) of the holder's monthly account.

Hire purchase was, however, much better answered. Many candidates scored full marks. A number of answers were too extensive for the number of marks available, suggesting many candidates had wasted valuable time.

Both parts (b) and (c), as applied questions, were very poorly answered. Candidates generally failed to identify the fact that a person with a high income could pay off the credit card debt monthly and avoid higher interest charges. The suggestion that only people with higher incomes could have credit cards did not score any marks, neither did the ideas of convenience and reduced theft risk.

Candidates scored marks for the idea that a person on a lower income using hire purchase could spread payments over a longer period, and pay out of regular income. Points about not being able to afford more expensive goods did not score. Another common fallacy was that those on lower incomes bought goods on hire purchase because they could return them. They can, but it is not a *reason* for *using* hire purchase.

Question 5

While the question referred to the possible production and sale of a *new toy*, many candidates wrote as if the toy already existed or referred to alternative products such as cars. Only points relevant to the question were awarded marks.

In part (a), while the vast majority of candidates seemed to understand the term 'market research', candidates were often unable to define it clearly, or to separate the definition from the reasons for such research. Regarding the reasons, 'second order' points were most commonly made, for example, 'to sell more toys.' Fewer candidates identified 'first order' points, for example, the potential waste of setting up production lines for goods which do not sell and the possibility of subsequent insolvency.

In part (b), candidates tended to score their marks for highly specific market research methods rather than generic methods such as desk research, field research and test marketing. Candidates who forgot that the toy was new lost marks where stated research methods could only apply to *existing* toys, for example, asking the public what they thought of the toy even though it had not been produced.

Part (c) on sales promotion methods was well answered by many candidates, although some did not understand the term 'sales promotion'. Special discounts, competitions, free gifts and tokens were commonly mentioned, but some candidates referred only to advertising methods for which marks were limited to two out of the total six available.

A large majority of candidates failed to calculate correctly the answer to part (d). Many did not understand the term 'net profit margin', but the most common error was to calculate the margin as 20% of the cost price rather than the selling price, thus giving a figure of £7.20 rather than the correct value of £7.50.

Question 6

While there were some excellent answers to this question, a large number of candidates showed little, if any, knowledge of co-operative societies. Many thought that they were run by the state (or government), which provided the finance and gave out profits to members of the societies.

A smaller number of candidates also confused public limited companies with public sector bodies, and thought that such companies were run by the State (or government).

Even where candidates had some correct ideas of both types of organisation, marks were often lost by reference to points which did not identify the *differences* between the two. For example, there were frequent references to ploughing back profits and to bank loans, both of which are sources of finance for both types of organisation.

The last part of the question, on the reasons for the merger or closure of many retail societies, was poorly answered, with many candidates scoring nil out of the eight marks available. However, there were a number of very good answers with candidates showing a clear understanding of the increasingly competitive environment in which co-operative societies are having to operate, and the special difficulties of the smaller societies.

Question 7

In part (a) the majority of candidates showed a clear understanding of the difference between 'needs' and 'wants', and gave appropriate examples. However, there were also some weak candidates who ignored the word 'both' and wrote as if needs and wants were the same.

Similarly, part (b) on the branches of production yielded many excellent answers with many candidates achieving the full eight marks. However, a frequent weakness was an inability to break down the tertiary sector into commercial and direct services.

More seriously, a significant proportion of candidates confused the branches of production with channels of distribution and therefore wrote incorrectly about producers, wholesalers and retailers. One or two incidental marks were allowed where there was an overlap with the correct answer, for example for reference to retailing as a commercial service.

The final two parts of the question were not well answered. In part (c), candidates were often unable to identify the fundamental differences between 'producer' and 'consumer' activities, i.e. the creation of goods and services and the use of goods and services for satisfaction. In part (d), while many candidates understood that not all people are producers, most failed to identify the fact that everybody must be a consumer in order to live.

Question 8

Many candidates who attempted part (a) of this question did not understand the nature of the intermediary in international trade. They either described international trade or wrote about the documents used in such trade and therefore scored no marks. The work of intermediaries such as brokers, factors, export agents and forwarding agents appears to be a neglected area of study.

Part (b), in contrast, tended to yield good marks for candidates, the majority of whom seemed very much aware of the special difficulties faced in international trading. Greater distances, language barriers, technical differences and foreign exchange problems were the most frequently mentioned points.

Many candidates also answered part (c) well, but a common mistake was not to show *clearly* how the ancillary commercial services helped international trade, in particular, to operate. While one mark was allowed for a general reference to the role of an ancillary service, for example, banking providing a means of payment, a second mark was given only where a specific role in relation to international trade was given, for example, banking providing foreign exchange facilities.

There were some weak candidates who did not appear to understand the concept of ancillary (or auxiliary) services, even though they form a substantial part of commerce. These candidates clearly need an overview of the subject that they are studying.

Question 9

In part (a) many candidates had a general awareness of the nature of bank deposit accounts and were able to identify key features such as interest receipts, instant/notice withdrawals and the non-availability of payment methods. However, weaker candidates simply wrote about bank accounts and assumed that the question referred to current accounts. In these instances the examiners were unable to reward the candidate.

The nature of company shares was well understood, although many answers failed to focus on the key points relating to ownership, voting rights, dividends and transfers. Candidates often went into far too much detail for only four marks, in particular explaining the differences between ordinary and preference shares.

In part (b) most candidates showed some understanding as to why investing in shares was more risky than placing money in a bank deposit account. The security of the deposit compared with the fluctuating value of shares was frequently explained, but fewer candidates referred to 'fixed' interest as compared with share dividends based on profitability.

Part (c) was generally not well answered. Candidates usually picked up no more than two marks by identifying the potential for capital growth from share investments compared with the fixed capital value of the deposit in money terms. Very rarely did candidates latch onto the idea that the person having the £10, 000 to invest was not relying on the sum of money in order to live and could therefore afford to take greater risk for greater reward.

Conclusions

1. There was a significant improvement in the general performance of candidates within a substantially larger entry.
2. Candidates need to develop their skills in applying their knowledge to the situations given in questions.
3. Candidates need to ensure that they answer questions within the given context and to avoid irrelevant responses.
4. Where differences are required, candidates should avoid giving similarities as well.
5. Candidates need to develop a general understanding of the nature and purpose of particular commercial activities, as well as having knowledge of detail.
6. More attention needs to be paid to the number of marks allocated to each question part and candidates should make a response of an appropriate length. Answers need to be more focused.

7. The standard of English language showed considerable improvement and was generally good.
8. Candidates need to read carefully, and to follow, the instructions given on the front cover of the examination paper.

Candidates in general should benefit greatly from their study of the subject, which is of relevance to everyday life and business.

COMMERCE 7100, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	63	52	41	36	29

Note: Grade boundaries may vary from year to year and from subject to subject, depending on the demands of the question paper.

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